

SEP 18 10 39 AM '97

DISPATCH
Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Consolidated Communications Telecom)
Services Inc.)
)
Application for Transfer of Control of)
Common Carrier Holding Authorization)
Under Section 214 of the Communications)
Act of 1934, as Amended)

IB Docket No. 97-167

ORDER AND AUTHORIZATION**Adopted:** September 15, 1997**Released:** September 15, 1997

By the Chief, Telecommunications Division:

I. Introduction

1. Consolidated Communications Inc. ("Consolidated") and McLeod USA Inc. ("McLeod") filed an application requesting authorization for the transfer of control of Consolidated Communications Telecom Services Inc. ("CCTS") from Consolidated to McLeod.¹ CCTS, a common carrier, holds a Section 214 authorization. The Commission placed the application on public notice on July 25, 1997.² No comments were received. By this *Order*, we grant Consolidated authority to transfer control of CCTS and its Section 214 authorization to McLeod.

¹ Consolidated Communications Telecom Services Inc.: Application for Transfer of Control of Common Carrier Holding Authorization Under Section 214 of the Communications Act of 1934, as Amended, *Application* (filed June 27, 1997) ("*Application*").

² The Commission placed this application on a consolidated public notice with other applications filed by the same applicants. This *Order* only addresses the application for transfer of control of CCTS and its Section 214 authorization to McLeod.

II. Parties

2. Consolidated, an Illinois corporation, serves as a holding company for several corporations engaged in the provision of telecommunications products and services. CCTS, a wholly-owned subsidiary of Consolidated, is a nondominant carrier and holds a Section 214 authorization to resell international switched services.³

3. McLeod, a publicly traded Delaware corporation, provides a range of telecommunications products and services to small and medium-size business customers, residential customers and government agencies. McLeod's services include local and long distance telecommunications services, competitive access services (including special access and private line services), and maintenance and installation services of fiber optic telecommunications networks. McLeod, through its subsidiary McLeod USA Telecommunications Services, Inc., has Section 214 authorization to resell international switched services.⁴

III. Discussion

4. This transfer of control will occur as part of a transaction in which Consolidated and its subsidiaries will become the direct and indirect subsidiaries of McLeod. Under the terms of the proposed merger, McLeod has formed Eastside Acquisition Co. ("Eastside"), a wholly-owned subsidiary incorporated in Delaware. Consolidated will merge with and into Eastside with Eastside surviving and being renamed Consolidated Communications Inc. ("New Consolidated"). At the effective time of the merger, cash and approximately 8.5 million shares of McLeod Class A Common Stock will be distributed to the owners of Consolidated Common and Preferred Stock.⁵ After the transaction, CCTS will be a wholly-owned subsidiary of New Consolidated, which in turn will be a wholly-owned subsidiary of McLeod. CCTS will retain its name and remain the Section 214 certificate holder.

³ File No. ITC-92-235. The Section 214 certificate was originally granted to Consolidated Network Inc., the predecessor of CCTS.

⁴ File No. ITC-93-311.

⁵ Specifically, each share of Consolidated Series A Preferred Stock and Consolidated Series B Preferred Stock will be exchanged for approximately 4.5 shares of McLeod Class A Common Stock. Consolidated Common Stock will be exchanged for a mix of cash and McLeod Class A Common Stock. Each shareholder of Consolidated Common Stock will elect the exact mix.


5. The applicants state that the efficiencies resulting from this transaction will have no negative impact on the operations of CCTS and the changed corporate structure will be transparent to customers.⁶ Moreover, they assert that the transaction "will ensure continued provision of international long distance services to CCTS's existing customers and should promote competition and lower prices in the international long distance services market."⁷ We agree and therefore find that authorization of the proposed transfer of control would serve the public interest, convenience and necessity.

IV. Ordering Clauses

6. Accordingly, IT IS ORDERED, pursuant to Section 214 of the Communications Act of 1934, as amended, 47 U.S.C. § 214, and Section 63.18 of the Commission's Rules, 47 C.F.R. § 63.18, that the application of McLeod USA Inc. and Consolidated Communications Inc. IS GRANTED, and we consent to the transfer of control of Consolidated Communications Telecom Services Inc. and its Section 214 authorization to McLeod.

7. This *Order* is issued pursuant to Section 0.261 of the Commission's Rules, 47 C.F.R. § 0.261, and is effective upon adoption. Petitions for reconsideration under Section 1.106 of the Commission's Rules, 47 C.F.R. § 1.106, or applications for review under Section 1.115 of the Commission's Rules, 47 C.F.R. § 1.115, may be filed within 30 days of the public notice of this *Order* (see Section 1.4(b)(2) of the Commission's Rules, 47 C.F.R. § 1.4(b)(2)).

FEDERAL COMMUNICATIONS COMMISSION


Diane J. Cornell
Chief, Telecommunications Division
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⁶ Application at 2-3.

⁷ Application at 2.